

REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

J. Burns Brown Operating Company
PO Box 420
Havre, MT. 59501

Township 32 North, Range 19 East

Section 21: N $\frac{1}{2}$

Section 16: S $\frac{1}{2}$

640 Acres

Blaine County

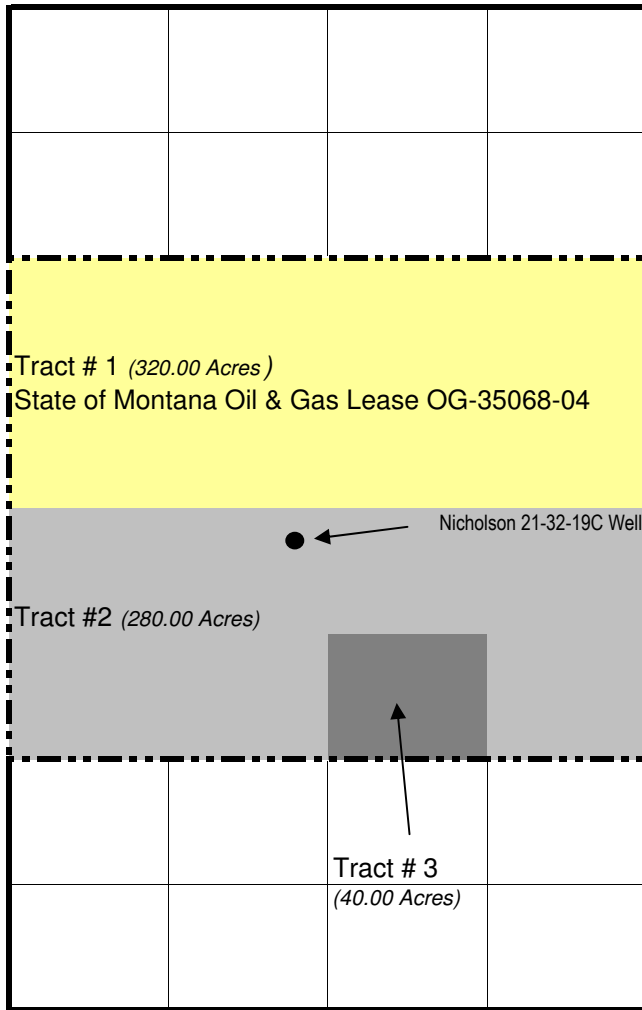
J. Burns Brown Operating Company has filed a request with the Department for the approval of a communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

The Nicholson 21-32-19C, which is an Eagle formation gas well, was drilled in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 21 and is designated as the only authorized well for the spacing unit. This spacing unit has a total of 640 acres. The Department owns 320 acres of the 640 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalty from this well. The Communitization Agreement includes the Eagle formation in the N $\frac{1}{2}$ of Section 21 and S $\frac{1}{2}$ of Section 16.

The Department's tract comprises 50% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The Department will consequently receive 6.25% of all gas production (12.5% royalty rate x 50% tract participation).

The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.



Township 32 North
Range 19 East
Section 16

Township 32 North
Range 19 East
Section 21

 Communitized Area

Tract No.	No. of Acres Committed	% of Interest in Communitized	Royalty Rate	Owners Interest
1	320.00	50.00%	12.50%	6.25%
2	280.00	43.75%	15.00%	6.56%
3	<u>40.00</u>	<u>6.25%</u>	12.50%	0.78%
Total	640.00	100.00%		

Working Interest Owners:

Sandtana Inc	87.50%
JB Exploration	12.50%